

## Message Text

UNCLASSIFIED

PAGE 01 LAGOS 09509 181645Z

70

ACTION AF-08

INFO OCT-01 EUR-12 ISO-00 EB-07 /028 W

----- 036713

R 181523Z AUG 76

FM AMEMBASSY LAGOS

TO USDOC WASHDC

INFO SECSTATE WASHDC 6392

AMEMBASSY THE HAGUE

UNCLAS LAGOS 09509

E.O. 11652 : NA

TAGS : BENC, BEXP, ENRG, NI

SUBJ : MAJOR PROJECT: CHAMTEX AND NIGERIAN POLYESTER PROJECT  
POSSIBILITIES

REF : A) LAGOS 9271, B) STATE 197876 (BOTH NOTAL)

1. EMBOFF HAS OPPORTUNITY AFTER REFTEL (A) TO DISCUSS SUBJECT FURTHER WITH NICHEMTEX PERSONNEL AND JAN DEKKER, REPRESENTATIVE OF DUTCHFIRM AKZO WHICH IS THEIR PARTNER IN POLYESTER PROJECT HERE. INFORMATION MAY BE OF INTEREST TO CHAMTEX IN CONSIDERING POTENTIAL INVESTMENT.

2. NICHEMTEX PLANS TO START UP POLYESTER FIBER PLANT AT IKORODU IN TWO WEEKS. WILL IMPORT TEREPHTHALIC ACID AND ETHYLENE GLYCOL FORM POLYMERIZATION PLANT, AND TURN RESULTING POLYMER CHIPS INTO FIBRE BY USUAL MELTING, EXTRUSION AND AIR COOLING PROCESS. FIBER PLANT WILL HAVE CAPACITY OF 5,000 TONS PER YEAR (TPY). SECOND PLANT TO PRODUCE 6,000 TPY OF POLYESTER FILAMENT IS SCHEDULED TO BEGIN OPERATING IN ONE YEAR. DEKKER SAID BOTH PLANTS CAN BE CONSIDERED MINIMUM SIZE ECONOMICALLY VIABLE. (HE ADDED NICHEMTEX PLANT IS ONLY POLYMERIZATION OPERATION IN AFRICA. SOUTH AFRICA HAS ICI POLYESTER PLANT WHICH IMPORTS POLYMER CHIPS, AND KENYA PUTTING UP 2,000 TPY NYLON PLANT WHICH WILL NOT BEGIN OPERATING FOR TWO YEARS)

3. TOTAL INVESTMENT IN FIXED ASSETS FOR BOTH FIBER AND FILAMENT PLANT ISN NAIRA 41 MILLION. EQUITY IS DIVIDED AS FOLLOWS: 29.3

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LAGOS 09509 181645Z

PERCENT HELD BY PAYSON CHA FAMILY (CHINESE-AMERICAN); 29.3 PERCENT

BY AKZO; 10 PERCENT NIGERIAN FEDERAL GOVERNMENT; 10 PERCENT NIGERIAN INDUSTRIAL DEVELOPMENT BANK; 13 PERCENT LAGOS STATE GOVERNMENT; 2 PERCENT PRIVATE NIGERIAN INTERESTS; AND REMAINING 6.4 PERCENT DIVIDED, ACCORDING TO DEKKER, AMONG NUMEROUS FRACTIONAL INTERESTS, WHETHER FOREIGN OR NIGERIAN HE DIDNOT SPECIFY.

4. AKZO RECEIVED A LICENSING FEE, WHICH AKZO FOUGHT HARD TO HAVE CALCULATED AS A PERCENTAGE OF SALES RATHER THAN OF PROFITS. DEKKER WOULD NOT SAY WHAT PERCENTAGE WAS, ONLY THAT IT WAS NOT FAR FROM 3 PERCENT BUT DID SAY TERM WAS FIVE YEARS. THIS ARRANGEMENT SEEMS STANDARD FOR NEW INVESTMENTS. FOR EXISTING INVESTMENT, RENEWAL OF LICENSING FEE IS HARD TO GET, AND PERCENTAGE WILL BE APPLIED TO PROFITS ONLY. DEKKER NOTED THAT NICHMEMTEX SETUP REPRESENTED PRETTY GOOD DEAL FOR HIS FIRM. OPERATION IS HIGHLY LEVERAGED, AND AKZO HAD TO PUT UP ONLY 2.5 PERCENT OF EQUITY WITH ITS OWN FUNDS.

5. DEKKER SAID EFFECT OF NEW NIGERIAN INDIGENIZATION RULES ON FOREIGN BANKS WAS OF CONSIDERABLE CONCERN. NICHEMTEX HAD OBTAINED COMMITMENTS IN PRINCIPLE FROM U.S. BANKS LIKE FIRST CHICAGO FOR TOTAL OF NAIRA 8 MILLION IN LOANS. IF U.S. BANKS WERE TO PULL OUT OF NIGERIA, THEY WOULD OF COURSE KEEP EXISTING COMMITMENTS, BUT DEKKER CONCERNED THEY MIGHT TRY TO WIGGLE OUT OF PRELIMINARY AGREEMENTS LIKE NICHEMTEX HAS. HE HOPES AMOUNT OF BUSINESS HIS FIRM DOES ELSEWHERE IN WORLD WITH THESE BANKS WILL MOTIVATE THEM TO AT LEAST DO NICHEMTEX FAVOR OF ARRANGING FOF OTHER BANKS IN NIGERIA TO MAKE THESE LOANS. HOWEVER, BECAUSE LOANS ARE IN LOCAL NAIRA, IT MAY BE MORE DIFFICULT FOR DEPARTING BANKS TO GUARANTEE NICHEMTEX GETS TIMELY ALTERNATIVE FINANCING THAN WOULD BE CASE IF THEY ONLY HAD TO PROVIDE ALTERNATIVE FOREIGN EXCHANGE FINANCING FROM THEIR OWN SOURCES.

6. DEKKER SAID AKZO WOULD CONSIDER INVESTING IN FURTHER BACKWARD INTEGRATION TO PRODUCE TEREPHTHALIC ACID (TPA) IN NIGERIA IF NEW REFINERY AT WARRI WILL PRODUCE PARAXYLENE. AKZO WOULD USE PROCESS IT LICENSES FROM AMOCO. APPARENTLY VERY SMALL NUMBER OF FIRMS TPA: ICI (300,000 TPY PLANT); AKZO (80,000 TPY); RHONE POULENE (50,000 TPY); AND A JAPANESE FIRM OR TWO. AS FAR AS DEKKER AWARE, THEY ALL USE AMOCO'S PROCESS. (ALTERNATIVE RAW MATERIAL FOR POLYESTER MANUFACTURE IS DIMETHYL TEREPHALATE (DMT), AND THIS IS MANUFACTURED ONLY BY DUPONT AND DYNAMIT-NOBEL OF UNCLASSIFIED

UNCLASSIFIED

PAGE 03 LAGOS 09509 181645Z

GERMANY). EMBOFF QUERIED S.A. KUFEJI, REFINERY PROJECT MANAGER IN MINISTRY OF PETROLEUM RESOURCES, WHETHER WARRI WILL HAVE AROMATICS SEPARATION UNIT TO PROCESS NAPHTHA CUTS FROM CATALYTIC REFORMER. KUFEJI SAID BENZENE-TOLUENE-XYLENE (BTX) SEPARATOR IS NOT PART OF PRESENT PLAN FOR WARRI, BUT IS SOMETHING UNDER CONSIDERATION FOR FUTURE, PERHAPS IN FOUR YEARS. (AROMATICS WILL INITIALLY BE BLENDED BACK INTO GASOLINE.) MINISTRY WOULD BE INTERESTED IN DISCUSSING PROPSAL WITH AKZO (AND WOULD ASSUME ALSO

WITH AMOCO). IF TPA PLANT IS SET UP, IT WOULD BE NECESSARY EXPORT PART OF PRODUCTION TO OTHER COUNTRIES. AKZO REP ESTIMATES PRESENT NIGERIAN MARKET AT 10,000 TPY, WITH 50,000 TPY LIKELY WITHIN 10 YEARS (CURRENT WORLD PRICE SLIGHTLY UNDER 600 DOLLARS PER TON). MINIMUM SIZE PLANT WOULD BE ABOUT 25,000 TPY, WHILE IDEAL ECONOMIC SIZE, ABLE TO OPERATE WITHOUT PROTECTION, WOULD BE 100,000 TPY OR MORE. KUFUJI TOLD EMBOFF THAT MINISTRY WOULD HAVE NO OBJECTION TO FOREIGN PARTICIPATION IN TPA PLANT, AND IN FACT WOULD PROBABLY ALSO CONSIDER THE NEXT STAGE BACK, THE BTX UNIT, TO BE PART OF THE PETROCHEMICAL RATHER THAN THE REFINING INDUSTRY, AND THUS OPEN TO FOREIGN INVESTMENT RATHER THAN RESTRICTED TO 100 PERCENT GOVERNMENT OWNERSHIP. TPA PLANT COULD PROVIDE SUBSTANTIAL COMMERCIAL OPPORTUNITY SINCE 25,000 TPY PLANT LIKELY TO COST 40 TO 50 MILLION DOLLARS.

7. BOTH AKZO REP AND PAYSON CHA REPEATED INTEREST REPORTED IN REFTEL (A) IN HOLDING DISCUSSIONS WITH CHEMTEx ABOUT JOINING THEM IN FUTURE POLYMERIZATION PROJECTS. WOULD APPRECIATE USDOC CONTACTING CHEMTEx, PASSING INFO THIS CABLE AND REFTEL (A), AND ADVISING EMBASSY OF REACTION.

8. SEPTTEL FOLLOWS REPORTING AKZO INTEREST IN PETROCHEMICAL COMPLEX.  
CAHILL

UNCLASSIFIED

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** SYNTHETIC FIBERS, PROGRAMS (PROJECTS)  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 18 AUG 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976LAGOS09509  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760317-0558  
**From:** LAGOS  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19760843/aaaablaz.tel  
**Line Count:** 139  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION AF  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 LAGOS 9271, 76 STATE 197876  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** CunninFX  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 01 APR 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <01 APR 2004 by ReddocGW>; APPROVED <18 JAN 2005 by CunninFX>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** MAJOR PROJECT: CHAMTEX AND NIGERIAN POLYESTER PROJECT POSSIBILITIES  
**TAGS:** BENC, BEXP, ENRG, NI, CHAMTEX  
**To:** COM  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006